

ISAs must either be given a social purpose linked to th...

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It seems that I am not alone in worrying about the tax relief on savings, [on which I commented last week](#). Now the [Resolution Foundation](#) has looked at the tax relief on ISAs alone and has said:

The cost of living crisis highlights the long-standing issue of there being too many UK families with too little in savings.

However, little attention has been paid to who does – and does not – benefit from the current schemes. This briefing note fills that gap by looking at existing government policy to encourage saving and uses this evidence to outline recommendations that could improve levels of saving and financial resilience particularly among low-income individuals.

Their key findings include:

- * The UK has had a persistently lower level of saving over time by international standards. Since 1980, it has had the lowest saving rate of any G7 country in four of every five years.
- * We estimate that the total support for savings from the Government is set to hit around £7.0 billion per year by the end of 2023-24 in terms of foregone tax revenue and direct payments to households as interest rates rise.
- * Despite tax-free savings allowances have been designed to be progressive, 41 per cent of the £1.3 billion of foregone tax revenue goes to the richest tenth of households.
- * The advantages of tax-free savings from ISAs flow mostly to the already-wealthy. For example, for working-age adults, around £3 in every £10 saved in ISAs (29 per cent) are held by those in the top income decile.
- * Help to Save – where people are able to save up to £50 a month and receive a 50 per cent top-up from government – is targeted at low-income families as eligibility is determined by benefit receipt. But while satisfaction with the scheme is high (only 3 per

cent of people report being dissatisfied with it), take-up is low, with under one-in-ten eligible participants using it.

* Taken together the richest tenth of households are set to gain just under £800 on average from these savings support next year, around 20 times the gains received by the poorest tenth of households (£38).

So why, when cash saving does little for the economy, is money being so poorly targeted in this way?

The time for ISAs to either be given a social purpose linked to the Green New Deal or to be abolished has arrived.